

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

**FINANCIAL REPORT**

December 31, 2011 and 2010

# **POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

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December 31, 2011 and 2010

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Pointe Coupee Sewerage District No. 4  
New Roads, Louisiana

We have audited the accompanying financial statements of **POINTE COUPEE SEWERAGE DISTRICT NO. 4** (District) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **POINTE COUPEE SEWERAGE DISTRICT NO. 4** as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, on our consideration of **POINTE COUPEE SEWERAGE DISTRICT NO. 4's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplementary financial schedules on pages 25-27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been audited by us, and accordingly, we express no opinion on this information.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
June 21, 2012

# **POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis of **POINTE COUPEE SEWERAGE DISTRICT NO. 4's** financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal years ended December 31, 2011 and 2010. Please read it in conjunction with the District's basic financial statements, which begin on page 7.

### **FINANCIAL HIGHLIGHTS**

1. The District's working capital increased by approximately \$33,000 during 2011.
2. The District's operations resulted in operating income of approximately \$35,000 during 2011.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statement of net assets
- Statement of revenues, expense, and changes in net assets
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable.

The District is a special purpose government formed by the Pointe Coupee Parish Police Jury and is engaged in business-type activities.

### **Enterprise Fund Financial Statements**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information to present the change in the District's financial condition for the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most businesses. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and the changes in them. Net assets – the difference between assets and liabilities – are a measure of the financial position of the District. Increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating, non-capital financing activities, capital and related financing activities, and investing activities.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's net assets decreased by approximately \$18,000 during the 2011 fiscal year. A summary of the net assets for the year and the change in net assets of the District's business-type activities is as follows:

### **POINTE COUPEE SEWERAGE DISTRICT NO. 4 STATEMENT OF NET ASSETS**

|                                                 | <u>2011</u>       | <u>2010</u>       |
|-------------------------------------------------|-------------------|-------------------|
| Current and other assets                        | \$ 145,382        | \$ 144,772        |
| Capital assets                                  | <u>2,044,638</u>  | <u>2,099,390</u>  |
| Total assets                                    | <u>2,190,020</u>  | <u>2,244,162</u>  |
| Current liabilities                             | 17,346            | 38,629            |
| Long-term debt, net of current portion          | <u>1,228,947</u>  | <u>1,243,681</u>  |
| Total liabilities                               | <u>1,246,293</u>  | <u>1,282,310</u>  |
| Net assets                                      | <u>\$ 943,727</u> | <u>\$ 961,852</u> |
| Components of Net Assets:                       |                   |                   |
| Invested in capital assets, net of related debt | \$ 800,955        | \$ 841,590        |
| Restricted for:                                 |                   |                   |
| Debt service                                    | 157,836           | 80,702            |
| Construction                                    | -                 | 20,648            |
| Unrestricted net assets (deficit)               | <u>(15,064)</u>   | <u>18,912</u>     |
| Total net assets                                | <u>\$ 943,727</u> | <u>\$ 961,852</u> |

The decrease in net assets of the District is directly attributable to the investment in capital assets. Net assets are the amounts invested in capital assets (sewer system, equipment, etc.) net of related debt, restricted for debt service and construction requirements, or unrestricted and available for use at management's discretion.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4  
CHANGES IN NET ASSETS**

|                               | <u>2011</u>        | <u>2010</u>       |
|-------------------------------|--------------------|-------------------|
| Operating revenues:           |                    |                   |
| Charges for services          | \$ 133,503         | \$ 135,746        |
| Expenses:                     |                    |                   |
| Operating                     | 42,845             | 38,228            |
| Depreciation and amortization | 55,373             | 54,826            |
| Interest                      | <u>53,656</u>      | <u>52,302</u>     |
| Total expenses                | <u>151,874</u>     | <u>145,356</u>    |
| Other revenues:               |                    |                   |
| Interest                      | <u>246</u>         | <u>408</u>        |
| Total other revenues          | <u>246</u>         | <u>408</u>        |
| Decrease in net assets        | <u>\$ (18,125)</u> | <u>\$ (9,202)</u> |

There were no significant changes to the District's operating revenues and expenses from 2010 to 2011.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At December 31, 2011 and 2010, the District had \$2,044,638 and \$2,099,390, respectively, invested in capital assets including sewer lines and related equipment cost, net of accumulated depreciation. Additional information about the District's capital assets is presented in Note 4 to the financial statements.

Debt

At December 31, 2011 and 2010, the District had outstanding sewer revenue bonds of approximately \$1,243,683 and \$1,257,800, respectively, related to the construction of sewer system. Additional information about the District's debt is presented in Note 5 to the financial statements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's customers, creditors and the general public with an overview of the District's finances and to show the District's accountability for the revenues and other funding it receives. If you have any questions about this report or need additional information, contact Connie Carrier, Chairman, Pointe Coupee Sewerage District No. 4 at P.O. Box 290, New Roads, Louisiana 70760 or (225) 638-9556.



**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

**STATEMENTS OF NET ASSETS**

December 31, 2011 and 2010

| <b>ASSETS</b>                                   |              |              |
|-------------------------------------------------|--------------|--------------|
|                                                 | <b>2011</b>  | <b>2010</b>  |
| <b>CURRENT ASSETS</b>                           |              |              |
| Cash                                            | \$ 85,445    | \$ 73,378    |
| Accounts receivable, net                        | 2,147        | 2,423        |
| Total current assets                            | 87,592       | 75,801       |
| <b>NONCURRENT ASSETS</b>                        |              |              |
| Restricted cash:                                |              |              |
| Debt service                                    | 34,902       | 24,814       |
| Construction                                    | -            | 20,648       |
| Deferred bond issuance cost, net                | 22,888       | 23,509       |
| Capital assets, net                             | 2,044,638    | 2,099,390    |
| Total noncurrent assets                         | 2,102,428    | 2,168,361    |
| Total assets                                    | \$ 2,190,020 | \$ 2,244,162 |
| <b>LIABILITIES AND NET ASSETS</b>               |              |              |
| <b>CURRENT LIABILITIES</b>                      |              |              |
| Retainage payable                               | \$ -         | \$ 21,900    |
| Accrued interest                                | 2,610        | 2,610        |
| Current portion of long-term debt               | 14,736       | 14,119       |
| Total current liabilities                       | 17,346       | 38,629       |
| <b>LONG-TERM DEBT, net of current portion</b>   | 1,228,947    | 1,243,681    |
| Total liabilities                               | 1,246,293    | 1,282,310    |
| <b>NET ASSETS</b>                               |              |              |
| Invested in capital assets, net of related debt | 800,955      | 841,590      |
| Restricted for:                                 |              |              |
| Debt service                                    | 157,836      | 80,702       |
| Construction                                    | -            | 20,648       |
| Unrestricted                                    | (15,064)     | 18,912       |
| Total net assets                                | 943,727      | 961,852      |
| Total liabilities and net assets                | \$ 2,190,020 | \$ 2,244,162 |

The accompanying notes to financial statements  
on Exhibit D are an integral part of this statement.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

**STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS**

For the years ended December 31, 2011 and 2010

|                               | <u>2011</u>       | <u>2010</u>       |
|-------------------------------|-------------------|-------------------|
| <b>OPERATING REVENUES</b>     |                   |                   |
| Charges for services          | \$ 133,503        | \$ 135,746        |
| <b>OPERATING EXPENSES</b>     |                   |                   |
| Depreciation and amortization | 55,373            | 54,826            |
| Contract services             | 19,770            | 19,288            |
| Legal and professional        | 11,820            | 2,295             |
| Repairs and maintenance       | 7,807             | 9,394             |
| Insurance                     | 1,900             | 1,900             |
| Utilities                     | 1,356             | 1,383             |
| Equipmental rental            | -                 | 3,084             |
| Office                        | -                 | 854               |
| Miscellaneous                 | 192               | 30                |
| Total operating expenses      | <u>98,218</u>     | <u>93,054</u>     |
| Operating income              | <u>35,285</u>     | <u>42,692</u>     |
| <b>NON-OPERATING</b>          |                   |                   |
| Interest income               | 246               | 408               |
| Interest expense              | <u>(53,656)</u>   | <u>(52,302)</u>   |
| Total non-operating           | <u>(53,410)</u>   | <u>(51,894)</u>   |
| Decrease in net assets        | (18,125)          | (9,202)           |
| <b>NET ASSETS</b>             |                   |                   |
| Beginning of year             | <u>961,852</u>    | <u>971,054</u>    |
| End of year                   | <u>\$ 943,727</u> | <u>\$ 961,852</u> |

The accompanying notes to financial statements  
on Exhibit D are an integral part of this statement.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2011 and 2010

|                                                                                            | <u>2011</u>       | <u>2010</u>       |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                |                   |                   |
| Receipts from customers                                                                    | \$ 133,779        | \$ 136,192        |
| Payments for operating expenses                                                            | <u>(64,745)</u>   | <u>(52,973)</u>   |
| Net cash provided by operating activities                                                  | <u>69,034</u>     | <u>83,219</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                |                   |                   |
| Interest income                                                                            | <u>246</u>        | <u>408</u>        |
| <b>CASH FLOWS FROM CAPITAL<br/>AND RELATED FINANCING ACTIVITIES</b>                        |                   |                   |
| Capital grants                                                                             | -                 | 34,000            |
| Payments of long-term debt                                                                 | (14,117)          | (10,200)          |
| Payment on accrued interest payable                                                        | -                 | (42,696)          |
| Interest paid on capital debt                                                              | <u>(53,656)</u>   | <u>(52,302)</u>   |
| Net cash used by capital and related financing activities                                  | <u>(67,773)</u>   | <u>(71,198)</u>   |
| Net increase in cash                                                                       | 1,507             | 12,429            |
| <b>CASH, including restricted cash</b>                                                     |                   |                   |
| Beginning                                                                                  | <u>118,840</u>    | <u>106,411</u>    |
| Ending                                                                                     | <u>\$ 120,347</u> | <u>\$ 118,840</u> |
| <b>RECONCILIATION OF OPERATING INCOME<br/>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                   |                   |
| Operating income                                                                           | \$ 35,285         | \$ 42,692         |
| Adjustments for non-cash items:                                                            |                   |                   |
| Depreciation and amortization                                                              | 55,373            | 54,826            |
| Change in operating assets and liabilities:                                                |                   |                   |
| Decrease in accounts receivable and other assets                                           | 276               | 446               |
| Decrease in payable related to construction                                                | <u>(21,900)</u>   | <u>(14,745)</u>   |
| Net cash provided by operating activities                                                  | <u>\$ 69,034</u>  | <u>\$ 83,219</u>  |

The accompanying notes to financial statements  
on Exhibit D are an integral part of this statement.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and operations**

The Pointe Coupee Sewerage District No. 4 (the District) was created by the Pointe Coupee Parish Police Jury (the Police Jury) to provide sewerage services to the citizens residing in Pointe Coupee Parish. The District is a component unit of the Police Jury. The District was created in March 1991. Construction of the sewer system began in July 2007, and the sewer system began operations in November 2008, when construction of the system was completed.

**Basis of presentation**

The accompanying component unit financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting entity**

The District is a component unit of the Police Jury, the financial reporting entity. The Police Jury is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on the District.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

(Continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Financial statements**

The District has adopted the provisions of Statement No. 34 (GASB 34) of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A),
- Statement of net assets,
- Statement of revenues, expenses, and changes in net assets,
- Statement of cash flows,
- Notes to the financial statements,
- RSI other than MD&A, if applicable.

The District is a special purpose government engaged only in business-type activities.

### **Fund accounting**

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, net assets, and revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

### **Basis of accounting**

GASB 34 established standards for external reporting for all state and local government entities which includes a statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows. It requires the classification of net assets into three components - 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

**Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted for debt service** - This component of net assets represents the cash transfers and balances for reserve and contingency requirements of the sewer revenue bonds (Note 5).

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Basis of accounting (continued)**

**Restricted for construction** - This component of net assets represents the cash transfers and balances for construction of the sewer system.

**Unrestricted net assets** - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of GASB 34 had no effect on the basic financial statements except for the classification of net assets and the reflection of capital contributions as a change in net assets. Additionally, GASB 34 required management of the District to prepare a Management's Discussion and Analysis.

The District accounts for its activities on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the balance sheet. The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that they do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are sewer user fees to residential and commercial users. Operating expenses for the District include the cost of administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and amortization.

### **Fair value of financial instruments**

The carrying value of cash, accounts receivable, deferred charges and operating liabilities approximate fair value due to the short-term maturity of these instruments.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash**

Cash includes amounts in demand deposit accounts and interest bearing demand deposit accounts. Under state law, the District may deposit funds in demand deposit and interest bearing demand deposit accounts with banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Cash equivalents include highly liquid investments with original maturities of three months or less. The District has no cash equivalents at December 31, 2011 and 2010. Cash, for the purposes of the statement of cash flows, consists of the following:

| Cash         | 2011              | 2010              |
|--------------|-------------------|-------------------|
| Unrestricted | \$ 85,445         | \$ 73,378         |
| Restricted   | 34,902            | 45,462            |
| Total cash   | <u>\$ 120,347</u> | <u>\$ 118,840</u> |

**Restricted assets**

Restricted assets on the balance sheet represent funds held for debt service and construction.

**Accounts receivable**

Accounts receivable represents amounts owed to the District from customer sewer usage. There was no allowance for doubtful accounts at December 31, 2011. Alternatively, the allowance for doubtful accounts was approximately \$1,000 at December 31, 2010, and is based on management's assessment of the collectability of accounts receivable. The District requires a deposit from its new customers as collateral.

**Capital assets**

Property is recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated service lives of the assets.

**Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District renewed its commercial insurance policy in 2011 with no significant change in coverage.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net asset surplus and net working capital deficit

At December 31, 2011, there was an unrestricted net assets deficit of \$15,064. The unrestricted net assets at December 31, 2010 totaled \$18,912. Additionally, the District had a net working capital surplus of \$70,246 and \$37,172 at December 31, 2011 and 2010, respectively.

## NOTE 2 - CASH

The District may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of December 31, 2011 and 2010, none of the District's bank balance was exposed to custodial credit risk. The District's deposits (including demand deposit accounts and restricted cash) at December 31, 2011 and 2010, totaled \$120,347 and \$118,840, respectively. The related bank balances at December 31, 2011 and 2010 were \$122,686 and \$118,902, respectively, and were secured by FDIC insurance.

## NOTE 3 - DEFERRED BOND ISSUANCE COST

The District incurred bond issuance costs of \$24,856 related to the 2008 sewer revenue bonds, which have been capitalized and are being amortized over the life of the bonds. Accumulated amortization at December 31, 2011 and 2010 was \$1,968 and \$1,347, respectively, and amortization expense was \$621 for both years.

## NOTE 4 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2011, is as follows:

|                                | <u>12/31/2010</u>  | <u>Increase</u>    | <u>Decrease</u> | <u>12/31/2011</u>  |
|--------------------------------|--------------------|--------------------|-----------------|--------------------|
| Land                           | \$ 26,750          | \$ -               | \$ -            | \$ 26,750          |
| Sewer system                   | 2,190,084          | -                  | -               | 2,190,084          |
| Less: accumulated depreciation | <u>(117,444)</u>   | <u>(54,752)</u>    | <u>-</u>        | <u>(172,196)</u>   |
| Capital assets, net            | <u>\$2,099,390</u> | <u>\$ (54,752)</u> | <u>\$ -</u>     | <u>\$2,044,638</u> |

Depreciation expense for the years ended December 31, 2011 and 2010 was \$54,752 and \$54,205, respectively.



## NOTE 5 - LONG-TERM DEBT

The District's debt consisted of loans from USDA Revenue Bonds. The following summarizes debt transactions for the year ended December 31, 2011 and 2010, is as follows:

|                                                                                                                                                                                                 | 2011                | 2010                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| \$358,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$1,615 beginning April 13, 2010 through March 13, 2048; interest at 4.375%. | \$ 351,261          | \$ 355,175          |
| \$467,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$2,106 beginning April 13, 2010 through March 13, 2048; interest at 4.375%. | 458,209             | 463,314             |
| \$443,000 Sewer Revenue Bonds secured by a pledge and dedication of sewer revenues, due in monthly installments of \$1,927 beginning April 13, 2010 through March 13, 2048; interest at 4.125%. | 434,213             | 439,311             |
| Total long-term debt from business-type activities                                                                                                                                              | 1,243,683           | 1,257,800           |
| Less current maturities                                                                                                                                                                         | (14,736)            | (14,119)            |
| Net long-term debt                                                                                                                                                                              | <u>\$ 1,228,947</u> | <u>\$ 1,243,681</u> |

The annual requirements to amortize debt outstanding at December 31, 2011, are as follows:

| Year        | Revenue Bonds       |                     |
|-------------|---------------------|---------------------|
|             | Principal           | Interest            |
| 2012        | \$ 14,736           | \$ 53,039           |
| 2013        | 15,379              | 52,394              |
| 2014        | 16,051              | 51,722              |
| 2015        | 16,753              | 51,019              |
| 2016        | 17,485              | 50,289              |
| 2017 - 2021 | 99,578              | 239,291             |
| 2022 - 2026 | 123,332             | 215,536             |
| 2027 - 2031 | 152,757             | 186,112             |
| 2032 - 2036 | 189,207             | 149,661             |
| 2037 - 2041 | 234,364             | 104,504             |
| 2042 - 2046 | 290,307             | 48,559              |
| 2047 - 2048 | 73,734              | 1,897               |
|             | <u>\$ 1,243,683</u> | <u>\$ 1,204,023</u> |

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

**Bond Restrictions - Sewer Revenue Bonds - Series R-1, R-2, and R-3**

These bonds are a direct liability of the District to be serviced by the earnings of the District. In accordance with the indentures governing Sewer Revenue Bonds, Series R-1, R-2, and R-3, cash is periodically deposited into accounts administered by the trustee bank, as follows:

1. The Sewer Revenue Fund requires all revenue derived from its operations to be deposited in a bank that is a member of the Federal Deposit Insurance Corporation as long as the bonds are outstanding. Transfers are required to be made on a monthly basis to designated trust accounts. In addition, the bonds require the use of a separate construction account.
2. The Sewer Revenue Bonds require monthly fund transfers from the Sewer System Revenue Fund to provide payment of the next maturing interest and principal of the revenue bonds.
3. The 2008 Sewer Revenue Bond Reserve Fund collectively requires monthly transfers of \$227 until a sum equal to the highest combined principal and interest falling due in any year has been accumulated. These funds are restricted to payment of principal and interest in case of default. At December 31, 2011 and 2010, the balance deposited was \$9,487 and \$6,127, respectively.
4. The 2008 Sewer Revenue Bond Contingency Fund collectively requires a monthly transfer of \$227 through February 20, 2010. Subsequent monthly payments shall increase to \$559 through February 20, 2048. The Funds are restricted to payments for unusual or extraordinary maintenance, repairs, replacement, and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the Sewer Revenue Bond Fund and Sewer Revenue Bond Reserve Fund. At December 31, 2011 and 2010, the balance deposited was \$16,204 and \$9,496, respectively.
5. The 2008 Sewer Revenue Bond Sinking Fund collectively requires a monthly transfer of \$4,531 through February 20, 2010. Subsequent monthly payments shall increase to \$5,589 through February 20, 2048. These funds are restricted to payments of principal and interest falling due on the next payment date for the bonds. At December 31, 2011 and 2010, the balance deposited was \$9,211 and \$9,191, respectively.

**NOTE 6 - COMMITMENT AND CONTINGENCIES**

**Engineering Contracts**

The District had no outstanding commitments resulting from engineering contracts in progress at December 31, 2011. At December 31, 2010, there was \$21,900 outstanding.

**Environmental Contingencies**

Management of the District is not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the sewer systems on a regular basis and providing the test results to the proper environmental authorities.

**NOTE 7 - COMPENSATION OF BOARD MEMBERS**

No board members were compensated during 2011 and 2010.

**NOTE 8 - SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 21, 2012, the date the financial statements were available to be issued.

**Special Independent Auditors' Reports**

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

December 31, 2011 and 2010



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Board of Directors  
Pointe Coupee Sewerage District No. 4  
New Roads, Louisiana

We have audited the financial statements of **POINTE COUPEE SEWERAGE DISTRICT NO. 4 (District)** as of December 31, 2011 and for the year then ended, and have issued our report thereon dated June 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses costs to be a material weakness, and is reported as item 2011-2.

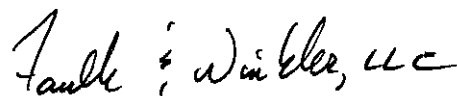
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies, and are reported as items 2011-1 and 2011-4.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 2011-3.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana  
June 21, 2012

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**  
New Roads, Louisiana

**SCHEDULE OF FINDINGS AND RESPONSES**

December 31, 2011

**1) Summary of Auditors' Results:**

- A) The type of report issued on the financial statements: **Unqualified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2011-1 and 2011-4.**  
Material weaknesses: **2011-2.**
- C) Noncompliance that is material to the financial statements: **2011-3.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2011-1, 2011-2, 2011-3 and 2011-4.**

**2) Findings – Financial Statement Audit**

**2011-1 Segregation of Duties**

**Observation:** There is not sufficient segregation of duties to have effective internal control due to the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties. Specifically, one individual handles the financial administration of the District. This person has the following responsibilities:

- Entering consumption from meter readings monthly,
- Processing customer bills,
- Processing customer collections,
- Entering all deposits in the accounting system,
- Entering all invoices to be paid in the accounting system,
- Processing check disbursements.

A contract accountant is retained to review the accounting records monthly, including bank reconciliations, general ledger detail and financial statements.

**Recommendation:** We recommend the following:

- Board members review the unopened bank statement, bank reconciliations, and all transactions including cancelled checks,
- Development of procedures governing the approval and processing of all transactions of the District including requiring dual signature on all checks.

**Management's corrective action plan:** We concur with the finding and intend to explore the recommendation.

## **2011-2 Accounting Overview**

**Observation:** During the audit of the District's financial statements, a significant number of correcting journal entries were proposed. A summary of the entries proposed and the effect of those entries on the accounting records are as follows:

### *Capital assets*

- An adjusting journal entry was made to reduce depreciation by approximately \$53,000.

### *Grant revenue*

- An adjusting journal entry was made to reduce grant revenue by approximately \$948,000.

### *Debt*

- An adjusting journal entry was made to increase interest expense by approximately \$47,000.

### *Preparation of financial statements*

- The District relies on its auditors to assist in adjusting the books and to assist in the preparation of the external financial statements and related disclosures. Under U.S. generally accepted auditing standards, we cannot be considered part of the District's internal control structure, and because of limitation of the District's accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

**Recommendation:** We recommend that the District should provide accounting specific training to personnel responsible for maintaining accounting records, and further utilize the expertise of its contract accountant.

**Management's corrective action plan:** Management agrees with the recommendation and intends to explore options to correct these deficiencies. However, the District is satisfied with using its auditing firm to prepare the external financial statements with no change expected.



### **2011-3 Debt Reserve Requirements**

**Observation:** Based on our review of the District's debt outstanding with the U.S. Department of Agriculture, we observed that monthly payment requirements for cash reserves were not adhered to.

**Recommendation:** We recommend that the District set aside the appropriate amount of cash reserves as required by each debt agreement. Additionally, monthly cash payments should be made going forward.

**Management's response:** Management will review this matter with bond counsel for further action.

### **2011-4 Financial Oversight**

**Observation:** The District maintains no annual operating budget.

**Recommendation:** The District should adopt an operating budget to better monitor financial performance and accountability. Adopting a budget will allow the Board to better evaluate the performance of the District's operations, including identifying areas of operation for improvement and planning for future capital asset expenditures.

**Management's corrective action plan:** Management will review this matter and revise current procedures in 2012.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**  
New Roads, Louisiana

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

For the year ended December 31, 2011

**2010-1 Segregation of Duties**

This finding has been reclassified as 2011-1.

**2010-2 Accounting Overview**

This finding has been reclassified as 2011-2.

**2010-3 Debt Reserve Requirements**

This finding has been reclassified as 2011-3.

**2010-4 Financial Oversight**

This finding has been reclassified as 2011-4.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**

New Roads, Louisiana

**WATER CUSTOMERS**

December 31, 2011

(Without Audit)

Records maintained by the District indicated the number of residential and commercial users for the water system at December 31, 2011 were as follows:

|             |     |
|-------------|-----|
| Residential | 280 |
| Commercial  | 9   |

At December 31, 2011, the District was charging both residential and commercial customers a \$38.50 fee per month per tank.

**POINTE COUPEE SEWERAGE DISTRICT NO. 4**  
**SCHEDULE OF INSURANCE IN FORCE**

December 31, 2011  
(Without Audit)

| Issuer                         | Type of Insurance                       | Limit Description                                                     | Coverage     | Effective Dates |
|--------------------------------|-----------------------------------------|-----------------------------------------------------------------------|--------------|-----------------|
| L. Bouanchaud Insurance Agency |                                         |                                                                       |              |                 |
|                                | Commercial General Liability            | General Aggregate Limit<br>(Other than Products-Completed Operations) | \$ 3,000,000 | 6/1/10 - 6/1/11 |
|                                |                                         | Products & Completed Operations Aggregate Limit                       | 3,000,000    | 6/1/10 - 6/1/11 |
|                                |                                         | Personal & Advertising Injury Limit                                   | 1,000,000    | 6/1/10 - 6/1/11 |
|                                |                                         | Each Occurrence Limit                                                 | 1,000,000    | 6/1/10 - 6/1/11 |
|                                |                                         | Damage To Premises Rented Limit (any one premises)                    | 1,000,000    | 6/1/10 - 6/1/11 |
|                                |                                         | Medical Expense Limit (any one person)                                | 10,000       | 6/1/10 - 6/1/11 |
|                                | Public Officials & Management Liability | Connie Carrier, Chairman                                              | 90,000       | 6/1/10 - 6/1/11 |
|                                |                                         | Harold Bonaventure, Secretary                                         | 90,000       | 6/1/10 - 6/1/11 |
|                                | Automobile                              | Hired and Non-owned Liability                                         | 1,000,000    | 6/1/10 - 6/1/11 |
|                                | Commercial General Liability            | General Aggregate Limit<br>(Other than Products-Completed Operations) | \$ 3,000,000 | 6/1/11 - 6/1/12 |
|                                |                                         | Products & Completed Operations Aggregate Limit                       | 3,000,000    | 6/1/11 - 6/1/12 |
|                                |                                         | Personal & Advertising Injury Limit                                   | 1,000,000    | 6/1/11 - 6/1/12 |
|                                |                                         | Each Occurrence Limit                                                 | 1,000,000    | 6/1/11 - 6/1/12 |
|                                |                                         | Damage To Premises Rented Limit (any one premises)                    | 1,000,000    | 6/1/11 - 6/1/12 |
|                                |                                         | Medical Expense Limit (any one person)                                | 10,000       | 6/1/11 - 6/1/12 |
|                                | Public Officials & Management Liability | Connie Carrier, Chairman                                              | 90,000       | 6/1/11 - 6/1/12 |
|                                |                                         | Harold Bonaventure, Secretary                                         | 90,000       | 6/1/11 - 6/1/12 |
|                                | Automobile                              | Hired and Non-owned Liability                                         | 1,000,000    | 6/1/11 - 6/1/12 |

## **POINTE COUPEE SEWERAGE DISTRICT NO. 4**

### **BOARD OF DIRECTORS**

December 31, 2011

(Without Audit)

Connie Carrier, President  
9350 False River Road  
New Roads, LA 70760  
Phone # (225) 638-9753

Harold "Buddy" Bonaventure  
8985 False River Road  
New Roads, LA 70760  
Phone # (225) 638-8142

Mark Gremillion  
10447 Belle View Drive  
New Roads, LA 70760  
Phone # (225) 638-3567

Nolan "Sonny" David  
9161 False River Road  
New Roads, LA 70760  
Phone # (225) 638-9067

Janet Vosburg  
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Phone # (225) 638-8328